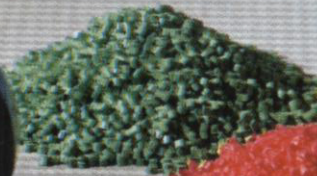
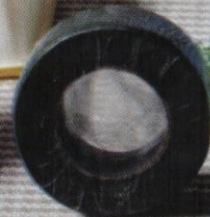
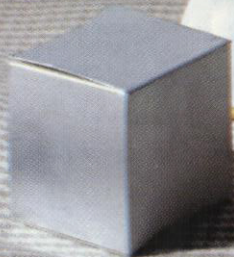
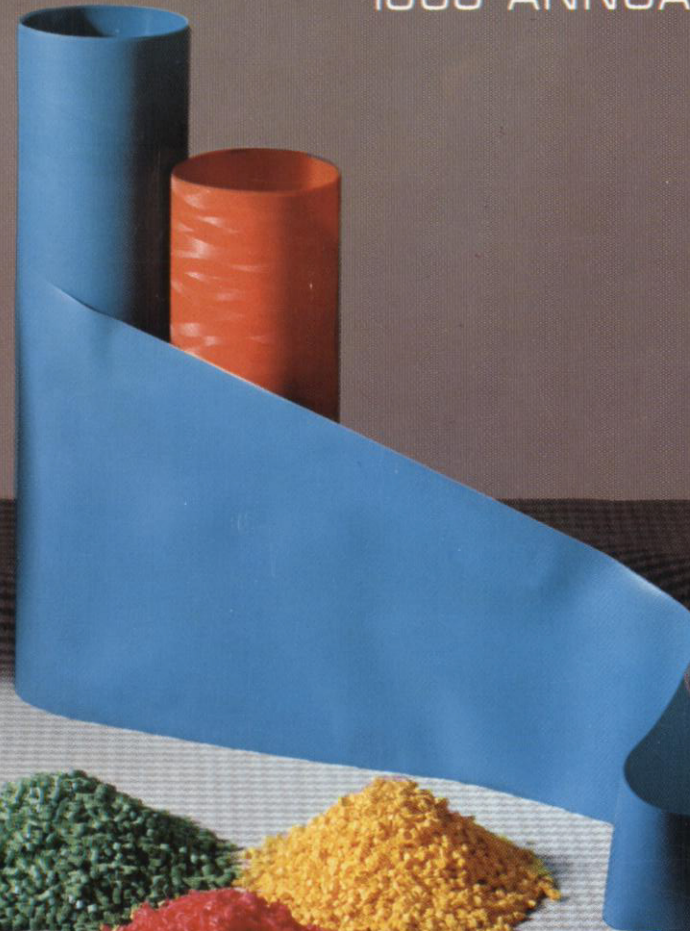
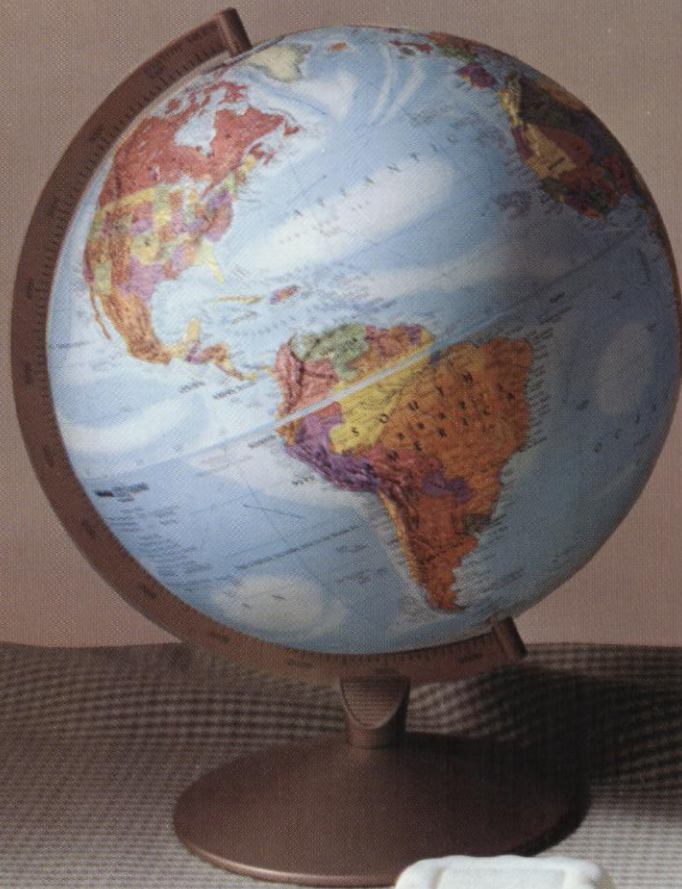




1965 ANNUAL REPORT



CROMPTON & KNOWLES CORPORATION

1965 HIGHLIGHTS

	1965	1964
Net sales	\$62,002,000	\$52,354,000
Net earnings	3,158,000	2,691,000
Stockholders' equity— end of year	28,858,000	28,180,000
Average shares outstanding	990,564	970,192
Per share:		
Net earnings	\$ 3.19	\$ 2.77
Dividends paid	1.40	1.20
Stockholders' equity	28.88	28.63
Number of stockholders	3056	2996
Number of employees	2837	2772

On a broadening textile machinery foundation
Crompton & Knowles Corporation
has built a growing business in chemicals,
dyestuffs, colors, and plastics, and plastics
processing and packaging machinery
serving the world.

PRESIDENT'S REPORT

To Our Stockholders:

Annual sales reached a new high in 1965. Just over \$62 million was shipped, nearly \$10 million more than in 1964. All divisions of the company contributed to the banner year, with several showing significant increases.

Net earnings were \$3,158,000, or \$3.19 a share, based on an average of 990,564 shares, up \$467,000, or 42 cents a share, from 1964.

Demand for virtually all Crompton & Knowles lines accelerated during 1965 and continues at a high level, imposing a severe strain on the manufacturing capabilities of several of our plants. Backlog of customers' orders is well above a year ago, and production schedules run well into 1966.

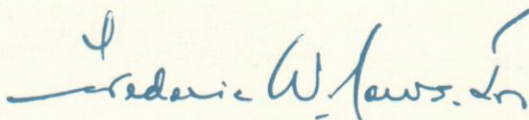
During 1965 substantially enlarged production facilities went into operation at our new chemical plant in Gibraltar, Pennsylvania, and a new textile machinery plant was completed in Los Angeles.

Other marketable securities, and Investments in and advances to foreign joint ventures, have been restated on conservative grounds on the year-end balance sheet at estimated current realizable values. Our European joint ventures have not been producing satisfactory results and,

although operations continue, the outlook there does not give promise of speedy recovery. The amounts needed for these restatements have been provided from retained earnings.

Our directors today recommended a two-for-one split of the common stock and voted to increase the cash dividend to an annual rate of \$1.60. Stockholders will be asked to approve the stock split and the related increase in authorized capital at the annual meeting on March 28.

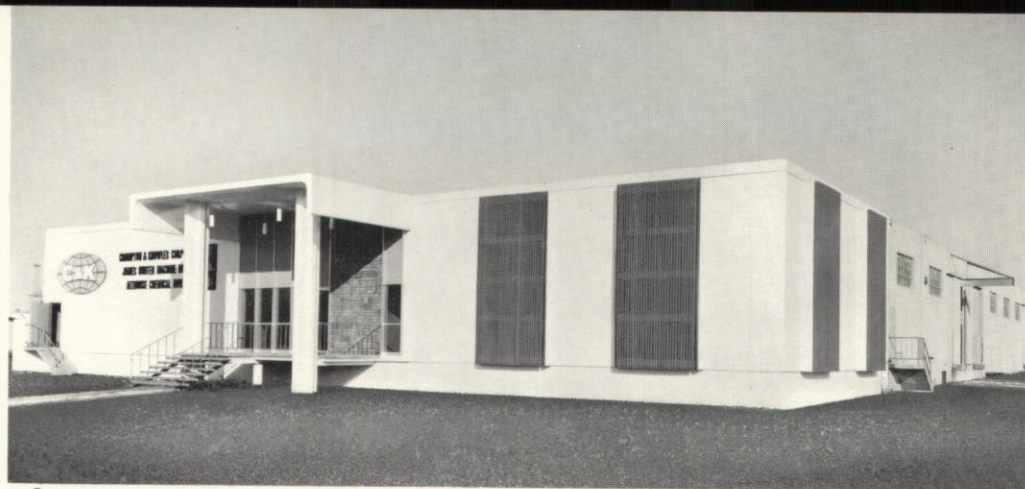
Current conditions, if maintained, point to 1966 as another good year.



January 25, 1966

Frederic W. Howe, Jr.
President





UPBEAT—describes the tempo of textile machinery activities in 1965. An extremely successful showing at the International Exhibition of the American Textile Machinery Association (1) and (2) headed in 1965 by James H. Hunter (4), President of C&K's Textile Machinery Group. A new plant in Los Angeles (3) plus an acquisition (5)—Industrial Heat Engineering Company—for entry into the growing permanent press field.

TEXTILE MACHINERY

The textile industry today is in the healthiest condition it has enjoyed for many years. Almost without exception all mills have recorded improvement in sales, operating rate stability, and return on investment. In line with this, 1965 sales of Crompton & Knowles textile machinery were again improved and the order backlog at the present time well exceeds that of a year ago. During 1965 many improved models were offered to meet the changing requirements of mills brought about by new or different man-made fibers, special finishes, consumer tastes, and market trends.

Among the year's highlights was the American Textile Machinery Exhibition at Atlantic City in September, the largest international textile machinery show ever held in the United States. C&K displayed for the first time new models of high-speed narrow fabric needle looms, improved models of box looms, both conventional and with on-loom windings, a shuttleless rapier type loom weaving two widths of cloth simul-

taneously, new models of our automatic fiber meter blending system for synthetic and natural fibers, a complete line of machinery for making nonwoven blankets, and the first American-built model of the Malimo machine—all of which attracted great interest.

After prolonged development work and field testing, the Mali fabric forming equipment line is now approaching commercial introduction. A modest number of Malimo machines has been scheduled for manufacture in our Worcester, Massachusetts, plant in 1966 against orders received, reflecting the growing interest in this type of equipment. With its capability of uniquely forming fabrics for many different uses at production rates a number of times faster than weaving and other more conventional methods of fabric forming, and with some Malimo fabrics already available to consumers, there is reason to believe that Mali has a future that will gradually unfold. It is not expected that the company's sales and

earnings in 1966 will be benefitted materially from Mali deliveries.

To further strengthen our line of wet finishing and drying equipment, an important step was taken by the purchase of Industrial Heat Engineering Company of Greenville, South Carolina, a leader in the development of curing ovens for permanent press fabrics. In addition to machinery for this fast growing field, Industrial Heat also designs and manufactures various types of drying equipment and combustion systems for the textile and allied trades.

A new and much larger plant was built in Los Angeles for the manufacture and service of textile machinery, and to provide a distribution center for chemicals and dyestuffs.

Automotive axles and steering arms now are being produced in significant volume at Worcester. Prospects for growth of our automotive parts production look very good.

Current backlog points to prospects of another good year in 1966.



CHEMICALS AND DYESTUFFS

A high level of activity on all fronts marked 1965 as a year in which new sales records were set by each chemical division. Stepped-up sales, service, research, development, and planning activities necessitated manpower increases and organization changes, bringing results for the Group well ahead of all previous years.

Sales of our Althouse specialty dyestuffs continued to grow as new products received market acceptance and sales were stimulated by the growing synthetic fiber markets here and abroad. New products in our Supernylite, Superlitefast, and Nylanthrene color lines used in a wide variety of textiles including automotive carpeting, outerwear, and hosiery, and a new line of Altocryl basic colors for the fast-growing modified acrylic fiber field added significant volume. Prospects for continued progress in our dyestuff lines appear excellent. Expansion of the new Gibraltar,

Pennsylvania, plant was completed soon after mid-year, bringing further production efficiencies and economies while assuring capacity for further growth.

Increased marketing effort by the Bates division led to a gratifying increase in sales of government certified soluble colors and insoluble lakes to the food and pharmaceutical industries. During the year manufacture of Bates' products was moved from inadequate facilities at Lansdowne, Pennsylvania, and phased in with new equipment at the expanded Gibraltar plant.

Broader market coverage in the growing plastics industry by the Plastics Color division developed sharply higher sales, especially of new color concentrate lines. Additional concentrate production facilities to permit continued growth were installed in the relocated Chicago plant late in the year.

Particular stress is being placed on investigation and planning of new ven-

tures based on both internal development and on acquisition possibilities. Additional markets for present product lines, new product lines for present markets, and added profit opportunities in totally different chemical and plastic fields all were under active consideration at year-end. But interest in developing these new endeavors is not being permitted to detract from the vital function of serving our present customers.

As a fitting climax to a year of growth, a new laboratory costing in excess of half a million dollars providing expanded quarters with the most modern and versatile research equipment available was completed in December at the Gibraltar site. With a larger staff and more efficient work thus made possible, this laboratory will be dedicated to providing the ideas and new products on which the growth of both present and new ventures will be based.

[5]

WELCOME ADDITION—More productive capacity and modern, enlarged research facilities were added to the new Gibraltar, Pennsylvania plant—itself a pleasant addition to the countryside in the Quaker State.

FIBERGLASS REINFORCED PLASTICS

[6] This division is continuing to specialize in the production of specially engineered corrosion resistant equipment. Improved manufacturing methods in 1965 have helped profitability.

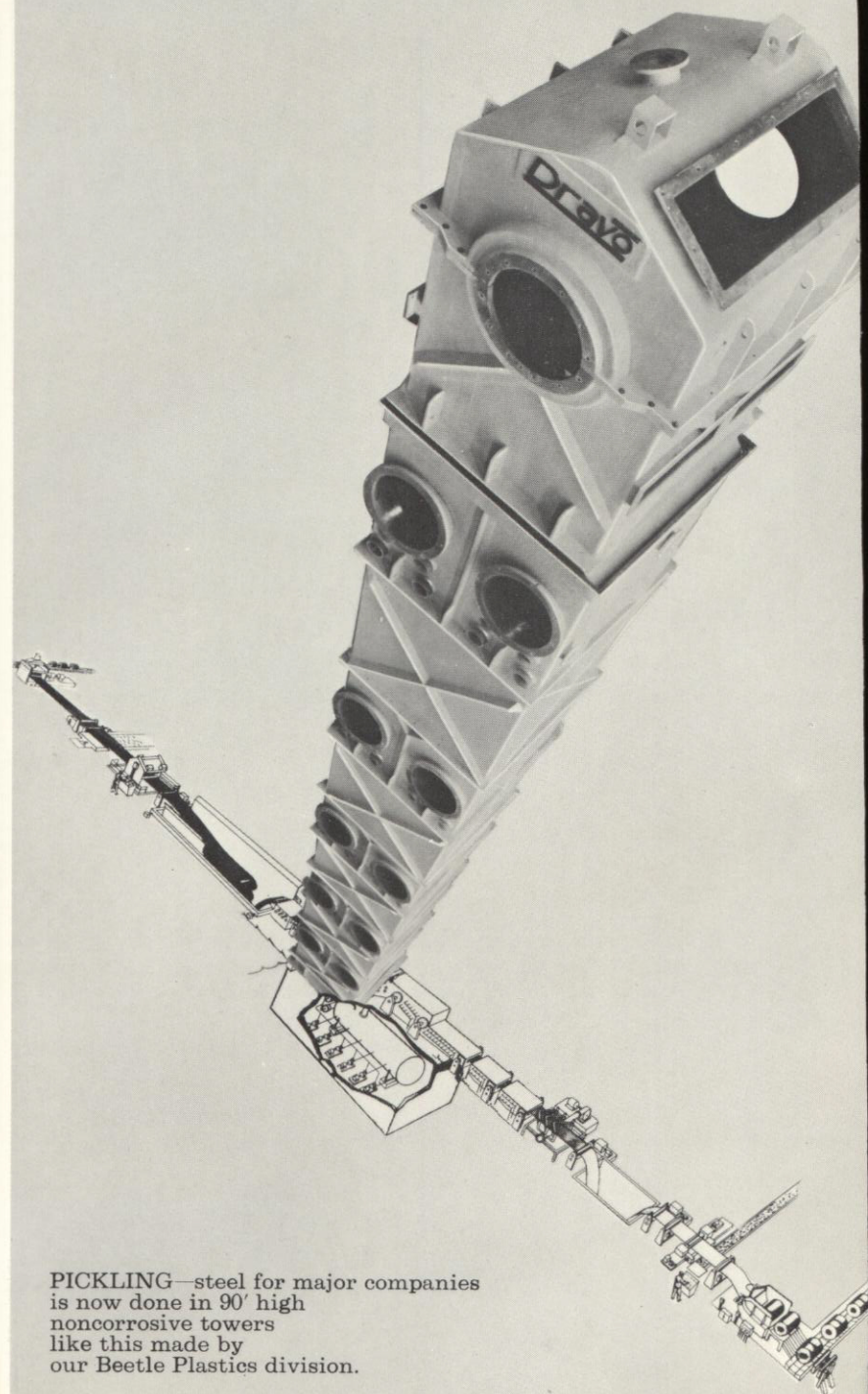
By specializing in the manufacture of large, highly-engineered equipment, such as the steel mill pickling tower illustrated, Beetle has built a reputation for almost unlimited ability to produce the most complicated structures.

With corrosion costing American industry an estimated 6 billion dollars annually, the manufacture of corrosion resistant equipment promises to be a continuing source of growth.

Equipment produced with the

trademarks of Bonate, Bon-econ, or Firmaline has been sold principally to the chemical processing industry, but also in increasing volume to others such as paper making, leather tanning, oil refining, metal refining and finishing, and food processing.

Recent emphasis on air and water pollution and the desalinization of water has created increased interest in Beetle's product lines. Firmaline filtration equipment components are helping to solve air and water pollution problems and standard Bonate and Bon-econ materials in tank type equipment are being used in the evaporation process for desalting sea water. Both show good growth potential.



PICKLING—steel for major companies is now done in 90' high noncorrosive towers like this made by our Beetle Plastics division.

CONSOLIDATED EARNINGS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1965 WITH COMPARATIVE FIGURES FOR 1964

	1965	1964
Net sales	\$62,001,703	\$52,354,356
Cost of sales	45,460,844	37,679,301
Gross profit, exclusive of depreciation	16,540,859	14,675,055
Royalties and commissions income	659,838	562,304
Other income, net	115,804	98,877
	<u>17,316,501</u>	<u>15,336,236</u>
Selling, general and administrative expenses	8,895,033	7,516,252
Depreciation	1,220,568	1,167,480
Interest expense	275,978	306,904
	<u>10,391,579</u>	<u>8,990,636</u>
Earnings before income and state taxes	<u>6,924,922</u>	<u>6,345,600</u>
Income and state taxes:		
Federal and foreign income taxes	3,297,274	3,157,476
State taxes	469,842	497,257
	<u>3,767,116</u>	<u>3,654,733</u>
NET EARNINGS FOR THE YEAR	<u>3,157,806</u>	<u>2,690,867</u>
Retained earnings at beginning of year (1965 includes \$79,967 applicable to pooled subsidiary) (note 1)	22,008,532	20,401,930
Provision for prior years' Federal income and state taxes no longer required	208,000	—
	<u>25,374,338</u>	<u>23,092,797</u>
Deduct:		
Cash dividends paid, \$1.40 a share (1964—\$1.20)	1,385,388	1,164,232
Provision to reduce investment in other marketable securities to approximate market value	510,000	—
Provision for losses on investments in and advances to foreign joint ventures	943,885	—
	<u>2,839,273</u>	<u>1,164,232</u>
Retained earnings at end of year	<u>\$22,535,065</u>	<u>\$21,928,565</u>

[7]

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1965

ASSETS	1965	1964
Current assets:		
Cash	\$ 1,766,014	\$ 1,831,553
Marketable securities, at cost (approximates market) plus accrued interest	438,052	416,691
Notes and accounts receivable, less allowance for doubtful items \$354,359 (1964 - \$498,882)	10,985,738	10,225,148
Inventories (note 2)	14,818,818	13,375,696
Prepaid expenses	729,039	694,532
Total current assets	28,737,661	26,543,620
Other investments:		
Other marketable securities, at market (1964 at cost - market value \$571,000)	599,650	1,109,650
Investments in and advances to foreign joint ventures, at cost (1965 - less reserve \$943,885)	17,982	589,153
Total other investments	617,632	1,698,803
Property, plant and equipment (note 3)	12,298,046	11,641,827
Formulae, trademarks, trade names, patents and patent rights, less accumulated amortization \$240,435 (1964 - \$187,757)	579,607	717,000
Excess of cost of investments in businesses acquired over their net book values	2,792,580	2,792,580
	<u>\$45,025,526</u>	<u>\$43,393,830</u>

WITH COMPARATIVE FIGURES FOR 1964

LIABILITIES	1965	1964
Current liabilities:		
Installments on long-term debt (note 4)	\$ 493,480	\$ 113,480
Accounts payable and accrued expenses	6,353,706	5,323,512
Federal and foreign income taxes and state taxes	2,582,478	2,790,948
Total current liabilities	9,429,664	8,227,940
Pensions, less current portion included in accrued expenses (note 5)	759,000	840,000
Long-term debt (note 4)	4,555,954	5,070,434
Deferred Federal income taxes (note 6)	1,423,335	1,075,443
Stockholders' equity:		
Common capital stock, no par value		
Authorized 1,400,000 shares		
Issued 1,013,292 shares (note 7)	6,333,075	6,333,075
Additional paid-in capital (note 8)	109,021	250,065
Retained earnings	22,535,065	21,928,565
	28,977,161	28,511,705
Less 14,114 shares held in treasury, at cost (1964-29,000 shares)	119,588	331,692
Total stockholders' equity	28,857,573	28,180,013
	<u>\$45,025,526</u>	<u>\$43,393,830</u>

[9]

NOTES TO FINANCIAL STATEMENTS December 31, 1965

(1) Principles of Consolidation:

The consolidated financial statements include the accounts of the company and all of its wholly-owned and majority-owned subsidiaries. The accounts of the Canadian subsidiaries are stated at their appropriate United States dollar equivalents. All material intercompany transactions have been eliminated in consolidation.

The acquisition of Industrial Heat Engineering Company on April 1, 1965 has been accounted for on the basis of a pooling of interests. Its operations for all of 1965, which are not material in relation to consolidated results, have been included in the consolidated statement of earnings.

(2) Inventories:

Inventories at the lower of first-in, first-out cost or market:

	1965	1964
Finished goods and manufactured parts	\$ 6,106,886	\$ 6,077,163
Work in process	3,777,711	3,187,054
Raw materials and supplies	4,934,221	4,111,479
	<u>\$14,818,818</u>	<u>\$13,375,696</u>

(3) Property, Plant and Equipment:

Property, plant and equipment at cost:

	1965	1964
Land	\$ 634,711	\$ 473,453
Buildings and building improvements	8,191,455	7,907,884
Machinery and equipment	13,685,714	12,513,612
Furniture and fixtures and miscellaneous equipment	1,990,843	1,865,236
Patterns, drawings, jigs, fixtures and small tools	1,286,300	1,286,300
Construction in progress	154,433	256,697
	<u>25,943,456</u>	<u>24,303,182</u>
Less accumulated depreciation	<u>13,645,410</u>	<u>12,661,355</u>
	<u>\$12,298,046</u>	<u>\$11,641,827</u>

(4) Long-term Debt:

	Long-term	Current Installments
20-year 5% sinking fund note payable in annual installments of \$265,000 beginning in 1966	\$4,235,000	\$265,000
Noninterest bearing note, maturing \$200,000 annually 1966 and 1967	200,000	200,000
Other notes maturing at various dates to 1974 with minimum annual installments of \$28,480	120,954	28,480
	<u>\$4,555,954</u>	<u>\$493,480</u>

(5) Pensions:

The liability for past service costs under noncontributory retirement plans is estimated at \$5,770,000. As a result of 1964 amendments to the plans, provision for pensions of \$729,000 (net after taxes) included in liabilities in the accompanying balance sheet is no longer required and is being credited to earnings at the rate of \$81,000 per year beginning in 1965. Pension costs charged to 1965 earnings before this credit and before Federal income and state taxes were \$932,142, of which approximately \$350,000 relates to past service costs.

(6) Investment Credit:

Benefits derived from the investment credit provided by the Revenue Act of 1962 are being deferred ratably to future operations. The balance at December 31, 1965, \$284,660, is included in Deferred Federal Income Taxes.

(7) Stock Options:

All options issued under the company's restricted option plan have been granted at not less than 95% of the fair market value of the stock at the time the options were granted.

	Number of Shares	
	Issuable under options granted	Available for future options
Balance December 31, 1964	17,500	9,900
Changes during year:		
Granted at \$30.25 (100% of market)	2,000	(2,000)
Exercised at \$8.125 — \$9.00 a share or a total of \$44,125 compared with a market price of \$30.00 a share or a total of \$150,000	(5,000)	—
Balance December 31, 1965	<u>14,500</u>	<u>7,900</u>

No options under the plan may be granted after March 13, 1966.

Options outstanding at December 31, 1965 were granted at prices of \$8.125 a share as to 3,000 shares and \$21.25 — \$33.50 a share as to 11,500 shares.

Options to purchase 5,000 shares became exercisable during 1965 at \$8.125 — \$9.00 a share.

(8) Additional Paid-in Capital:

Balance December 31, 1964	\$250,065
Less:	
The excess of the cost of treasury stock of Crompton & Knowles Corporation over the stated value of the capital stock of Industrial Heat Engineering Company exchanged therefor	141,044
Balance December 31, 1965	<u>\$109,021</u>

(9) Long-term Leases:

Real estate and production facilities are being leased by the company under long-term agreements. Pertinent details of the leases are summarized below:

	Initial Term (Years)	Expiration Date	Annual Rental
Gibraltar, Pa. plant	20	1985	\$160,000
Pawcatuck, Ct. plant	25	1989	120,000
Machinery and equipment	10	1975	98,000
Machinery and equipment	8	1972	107,000

In addition to the annual rentals stated above, the company is required to pay insurance, real estate taxes, maintenance and repairs, etc.

The company has the option to purchase the machinery and equipment covered by the ten-year leases after the expiration of two years at prices substantially equivalent to the present value of the unpaid lease payments.

The leases on the Gibraltar and Pawcatuck plants, which are owned by two of the company's pension trusts, provide for renewal options of two additional five-year periods and thereafter on a year-to-year basis at an annual rental of 40% of the annual rental during the initial term of the leases.

The eight-year lease on machinery provides for reductions in annual rentals to \$77,000 and subsequent unlimited one-year renewals at a nominal rental.

CONSOLIDATED SOURCE AND USE OF FUNDS

YEAR ENDED DECEMBER 31, 1965 WITH COMPARATIVE FIGURES FOR 1964

FUNDS WERE PROVIDED BY:

	1965	1964
Net earnings after all charges	\$3,157,806	\$2,690,867
Charges to earnings, such as depreciation and deferred taxes, not requiring funds	1,564,643	1,838,639
Funds from earnings for the year	4,722,449	4,529,506
Provision for prior years' Federal income taxes and state taxes no longer required	208,000	—
Sale of 5,000 (1964—17,600) shares of treasury stock under stock option plan	44,125	157,000
Plant and equipment retired, less accumulated depreciation	126,670	58,226
Net working capital of pooled subsidiary	97,106	18,880
Total funds provided	<u>\$5,198,350</u>	<u>\$4,763,612</u>

FUNDS WERE USED FOR:

Cash dividends paid to stockholders at the rate of \$1.40 (1964—\$1.20) a share	\$1,385,388	\$1,164,232
Purchase of machinery, equipment, and other productive facilities	1,541,487	1,445,479
Cost of machines leased to customers	436,741	—
Retirement of long-term debt	514,480	313,480
Transfer of current assets to non-current classification	284,474	100,000
Purchase of 800 (1964—3,800) shares of treasury stock	23,066	108,808
Additional investment in foreign joint ventures	—	17,081
Acquisition of patents and patent rights	20,397	16,855
Increase in working capital	992,317	1,597,677
Total funds used	<u>\$5,198,350</u>	<u>\$4,763,612</u>

[11]

RECORD OF GROWTH-10 YEARS ENDED DECEMBER 31, 1965

	1965	1964	1963
<u>Operations</u>			
Net sales	\$ 62,001,703	52,354,356	45,580,820
Earnings before income and state taxes	\$ 6,924,922	6,345,600	5,507,120
Federal and foreign income and state taxes	\$ 3,767,116	3,654,733	3,249,100
Net earnings	\$ 3,157,806	2,690,867	2,258,020
Dividends paid	\$ 1,385,388	1,164,232	1,158,160
Depreciation	\$ 1,220,568	1,167,480	1,097,518
<u>Financial Position</u>			
Current assets	\$ 28,737,661	26,543,620	24,236,878
Current liabilities	\$ 9,429,664	8,227,940	7,518,875
Working capital	\$ 19,307,997	18,315,680	16,718,003
Ratio of working capital	3.0	3.2	3.2
Long-term debt	\$ 4,555,954	5,070,434	5,383,914
Capital expenditures (excluding amounts acquired on acquisition of subsidiaries and going businesses)	\$ 1,978,228	1,445,479	1,293,079
Stockholders' equity	\$ 28,857,573	28,180,013	26,548,959
<u>Shareholder Information</u>			
Per share:			
Net earnings	\$ 3.19	2.77	2.34
Dividends paid	\$ 1.40	1.20	1.20
Working capital	\$ 19.32	18.61	17.36
Stockholders' equity	\$ 28.88	28.63	27.56
Average shares outstanding	990,564	970,192	964,966
Net earnings as a per cent of stockholders' equity at beginning of year	11.2	10.1	8.8

1962	1961	1960	1959	1958	1957	1956
44,350,017	32,650,669	31,142,645	22,800,362	18,939,250	19,505,175	23,609,948
4,302,151	5,163,214	5,174,536	3,400,216	1,801,539	1,174,508	2,835,625
2,362,475	2,570,000	2,656,500	1,913,400	990,195	835,747	1,553,470
1,939,676	2,593,214	2,518,036	1,486,816	811,344	338,761	1,282,155
1,158,949	938,209	898,292	605,804	331,178	336,303	563,476
1,053,456	828,141	781,652	695,116	671,647	646,054	626,898
22,458,729	18,697,992	18,023,154	15,078,162	13,540,680	13,273,596	14,425,959
6,562,136	7,423,772	5,248,293	3,459,610	2,492,740	2,588,174	3,248,952
15,896,593	11,274,220	12,774,861	11,618,552	11,047,940	10,685,422	11,177,007
3.4	2.5	3.4	4.4	5.4	5.1	4.4
5,676,994	1,263,000	1,481,555	1,100,000	1,200,000	1,300,000	1,400,000
1,011,087	1,240,703	1,172,654	762,234	787,010	694,731	447,358
25,544,704	23,848,982	22,779,963	20,266,054	19,560,342	19,159,049	19,188,941
2.01	2.75	2.64	1.72	.92	.38	1.43
1.20	1.00	1.00	.70	.375	.375	.625
16.45	12.06	13.26	13.46	12.53	11.96	12.44
26.43	25.51	23.65	23.48	22.18	21.44	21.36
965,375	943,792	953,292	865,692	883,142	896,808	898,442
8.1	11.4	12.4	7.6	4.2	1.8	6.7

Amounts per share are stated after appropriate adjustments for the stock split effective May 18, 1960 and for the number of shares held in treasury.

ACCOUNTANTS' REPORT

THE STOCKHOLDERS

CROMPTON & KNOWLES CORPORATION

[14] We have examined the consolidated balance sheet of Crompton & Knowles Corporation and subsidiaries as of December 31, 1965 and the related statement of earnings and retained earnings and the consolidated source and use of funds statement for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consoli-

dated earnings and retained earnings present fairly the financial position of Crompton & Knowles Corporation and subsidiaries at December 31, 1965 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying consolidated source and use of funds statement for the year ended December 31, 1965 presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

January 20, 1966

INTERNATIONAL

The full participation of Crompton & Knowles in international markets, as far as the majority of its product lines is concerned, saw results in 1965 which could not be considered wholly satisfactory.

On the one hand, known sales possibilities in India and Pakistan for our textile and plastics processing machinery lines have had to be postponed almost indefinitely because of the still smoldering crisis in that area.

The general leveling off of the economy in Europe—especially the cutback in capital expenditures by the textile mills there—and particularly the crisis of confidence in Italy, has seen the competition from European manufacturers become fiercer than ever with emphasis on aggressive attack on the outsider by resurgent nationalist feelings.

The slowdown in Japanese economic growth has been a principal factor retarding efforts

to develop markets for our products there. However a new Japanese joint venture for our plastics processing machinery line operated profitably in 1965.

On the brighter side, textile machinery shipments to Latin America continue at a good rate because of population growth and living standard improvement in these countries. Moreover, the growing independence of the East Block countries is causing greater inquiry for Western products from these sources.

Dyestuff sales to overseas points, while modest in total, improved in 1965. Another increase is anticipated in 1966 with volume rising in Europe and Australia as well as in the Far East.

Volume of our export business in the year was slightly under 1964. Sales were up in the Canadian market. Plastics processing machinery volume doubled in that area providing the main impetus for this rise.

UP AND OVER—and on its way to an overseas customer goes a C&K export.





PLASTICS PROCESSING MACHINERY

This was the Davis-Standard division's most successful year with new orders, backlog, sales, and earnings all at record highs. As general business conditions were good and the plastics industry in particular was running well ahead of the average industrial pace, production at Davis-Standard soared 67% above the previous year. No one product or market accounted for this rapid growth, but rather a swelling demand for Davis-Standard machinery from every segment of the extrusion industry.

The new 100,000 square foot plant in Pawcatuck, Connecticut, in full operation throughout the year, made possible this substantial increase in volume.

While sales improvement was felt in all product lines, several specific factors helped achieve this result.

Davis-Standard became an important supplier of complete machinery systems

of its own design for the continuous production of plastic sheeting. This was the successful conclusion of several years of development work which brought to the market place equipment capable of handling a variety of plastic materials at high production rates. Plastic sheeting from this equipment produces containers, lids, refrigerator door panels, cigarette packages, milk cartons, and other familiar items. Construction items such as shutters, siding, and gutters of rigid vinyl sheet are also made with material manufactured on this equipment.

Davis-Standard also continued to maintain its strong position as a leading machinery supplier to the electric wire and cable industry. Wire and cable manufacturers sell to the automotive, utility, construction and defense industries—all of which prospered in 1965.

In addition to the general well being of its customers, a technological change—the growing use of new insulating materials such as curable polyethylene for high energy line use—created a rising demand for new processing machinery.

The synthetic fiber field, too, provided a growth market requiring increasing quantities of extrusion machinery.

Rubber provides a growing opportunity for Davis-Standard extrusion and vulcanizing machinery, as that industry meets the challenge of plastics and responds technologically to new elastomeric raw materials.

A 5,000 square foot research and development laboratory went into operation at mid-year, enabling several outstanding extrusion systems to be perfected.

With backlog up 50% over a year ago and healthy forecasts of new orders, 1966 should show still further gains.

PACKAGING MACHINERY

[18]

Both plants of the Packaging Machinery Group ended 1965 on a particularly strong note, with operations contributing satisfactory profits. A balanced program produced these results and at the same time new developments for customers' needs and future growth were emphasized.

Our business is good in the candy and bakery fields. Candy consumption is mounting with an assist from attractive packaging. A trend to individual packaging in the bakery business is resulting from vending machines, catering services and supermarket merchandising.

Backlog positions entering 1966 were at record levels. The Redington plant at Bellwood, Illinois, and the Wrap-King plant at Agawam, Massachusetts, have added to capacity by increasing both engineering and productive staffs.

Redington's name and special skills in high-speed, heavy duty packaging equipment, especially in the fields of cartoning, multipacking and roll wrapping, have

long been recognized for quality. Recent emphasis in new designs is on convertibility, adjustability and versatility—features with much appeal to our customers.

New machines marketed in 1965 open additional opportunities for growth. These include convertible, high-speed roll machines for the candy industry; adjustable cartoners for form, fill, and seal packaging; and high-speed machines for the pet food, paper, pharmaceutical, automotive parts and electrical industries. Development of auxiliary equipment such as fast circular feeds, splicers and detectors has paralleled basic machine development.

The Wrap-King plant has developed in its Automax and Vertomax semiautomatic cartoner lines new circular feeds and additional adjustment features. The former are important to those industries such as pharmaceuticals which need to insert prefolded leaflets with many of their products. The broadened

Vol-Pak line of strip and pouch making machines now offers on-machine printing, feed and fill mechanisms for hygroscopic powders, and automatic stackers to handle and count high-speed production. Case openers, packers and sealers have been redesigned to meet changing market needs, as for example plastic lids on coffee cans.

Liquifilm, a packaging process which coats products with molten plastics or resins under controlled conditions, is moving forward. In conjunction with leading chemical and food companies, extensive tests are now being made in formulating commercially acceptable films and machinery.

Research and new product development continue to broaden our capabilities and markets. Cooperation and working relationships with manufacturers of cartons and wrapping materials have been pushed to anticipate packaging trends and quickly translate them into timely products.

WHO'S BUYING?—The American public is, stimulated by appealing packaging—much of it performed on C&K equipment.





Frederic W. Howe, Jr.

James Barringer

DIRECTORS

James Barringer
Elected 1959
Executive Vice-president

Edward L. Clifford
Elected 1953
President,
Worcester County National
Bank, Worcester

William O. Fisher
Elected 1964
Vice-president

Carl S. Forsythe
Elected 1953
Attorney,
Forsythe, McGovern, &
Fetzer, New York

Frederic W. Howe, Jr.
Elected 1940
President

James H. Hunter
Elected 1962
Vice-president

John Jeppson
Elected 1965
Executive Vice-president,
Norton Company,
Worcester

Arloe W. Paul
Elected 1963
District Sales Manager,
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Attorney,
Warner, Stackpole, Stetson
& Bradlee, Boston

Robert W. Stoddard
Elected 1953
President,
Wyman-Gordon Co.,
Worcester

John C. Whitehead
Elected 1960
Partner,
Goldman, Sachs & Co.,
New York

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Executive Vice-president and Treasurer

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Assistant Treasurer and Secretary

William J. McLaughlin
Assistant Treasurer and Comptroller

Howard W. Moore
Assistant Treasurer

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First National City Bank, New York
Worcester County National Bank, Worcester

Registrars
Morgan Guaranty Trust Company, New York
Mechanics National Bank of Worcester, Worcester

Auditors
Peat, Marwick, Mitchell & Co., Worcester

Common stock listed on the
New York Stock Exchange

The annual meeting of stockholders will be held at
the Company's offices in Worcester on March 28, 1966.



William J. Speers, Jr.

John Jeppson



Robert W. Stoddard



William O. Fisher



Edward L. Clifford



John C. Whitehead



Arloe W. Paul



James H. Hunter

Carl S. Forsythe

EXECUTIVE OFFICES

Grand Street, Worcester, Massachusetts

CROMPTON & KNOWLES CORPORATION TEXTILE MACHINERY GROUP

Worcester, Massachusetts
North Adams, Massachusetts
Pawtucket, Rhode Island
Greenville, South Carolina
Mauldin, South Carolina
Charlotte, North Carolina
Los Angeles, California

CHEMICALS GROUP

Reading, Pennsylvania
Gibraltar, Pennsylvania
Lansdowne, Pennsylvania
Chatham, New Jersey

DAVIS-STANDARD DIVISION

Pawcatuck, Connecticut

PACKAGING MACHINERY GROUP

Bellwood, Illinois
Agawam, Massachusetts

BEETLE PLASTICS DIVISION

Fall River, Massachusetts

INTERNATIONAL DIVISION

Worcester, Massachusetts

CROMPTON & KNOWLES OF CANADA LIMITED

Montreal, P.Q., Canada

CROMPTON & KNOWLES INTERNATIONAL LIMITED

Montreal, P.Q., Canada

CROMPTON & KNOWLES-MALIMO, INC.

Worcester, Massachusetts

This entire report is set in type faces made by Società Nebiolo, Turin, Italy, which manufactures Crompton & Knowles machinery for distribution in Europe.



TEXTILE MACHINERY

Equipment for forming all types of fabrics for man, home and industry—box looms/jacquards/needle looms/shuttleless looms/gang shuttle looms/Malimo machines/Fiber Lockers for non-wovens/Machinery for: wet processing/drying and curing/garnetting/fiber opening, blending and processing

CHEMICALS AND DYESTUFFS

Acid dyes/direct dyes/fixatives/levelling agents/retarding agents/modified and basic dyes/dispersed dyes/blended pigments—dry, concentrated, and paste/FD&C soluble colors/FD&C insoluble color lakes

PACKAGING MACHINERY

Cartoners/multipackers/roll machines/overwrappers/bundlers/case openers, gluers and sealers/strip and pouch packagers/special purpose machinery

PLASTICS PROCESSING MACHINERY

Extrusion machinery systems for: wire and cable insulation/pipe/sheet/film/fiber/compounding/rubber/Non-contact thickness gauges/Wire and cable handling equipment

FIBERGLASS REINFORCED PLASTICS

Chemical processing equipment/filters, grating, fencing/architectural products/defense products

CONTRACT MANUFACTURING

Automotive parts/machinery/castings